

STATEMENT OF REASONS

Section 7030. Definitions

Health and Safety Code Section 1179.11 defines certain terms and words, but does not define other terms and words, which are necessary to carry out and accomplish the purposes, objectives and provisions of the Act. Section 7030 restates the meaning of certain terms already defined in statute and defines additional terms that will be used.

The purpose of this regulation is to provide clarity and consistency in the use of certain terms in the administration of the Program.

It is necessary to define terms and words used in the Act in order that they may be interpreted and applied in a uniform manner when used in any application related to the administration of the Program.

Section 7031. Eligible Children's Hospital.

Health and Safety Code Section 1179.22 enables the Authority to award grants to any eligible children's hospital, as defined in Section 1179.11(b)(1) and (2) of the Health and Safety Code.

Section 7031(a) mirrors this eligibility requirement, and adds an additional specification to ensure clarity and to ensure that grant applicants meet certain basic requirements.

Section 7031 (b) establishes that an applicant will not be considered for grant funding if it is not an eligible general acute care hospital proposing an eligible project. This section was added to provide clarity.

The addition of Section 7031 reflects and effectuates Health and Safety Code 1179.11 1179.22 and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7032. Maximum Grant, First Funding Round.

Health and Safety Code Sections 1179.23 (a) and (b) and 1179.24(c), (d) and (e) specify the maximum grants available for specified eligible applicants. Health and Safety Code Sections 1179.24(h) and 1179.38 specify the administrative and bond cost of issuance should be deducted from bond proceeds.

Section 7032 clarifies the maximum grant dollar amount available.

The addition of Section 7032 reflects and effectuates Health and Safety Code Section 1179.24 and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7033. Maximum Grant, Second Funding Round

Health and Safety Code Sections 1179.24(c) and 1179.24(d) specify that if funds available under Health and Safety Code 1179.23(a) and (b) have not been exhausted by June 30, 2014, the funds will become available for any eligible hospital.

The purpose of Section 7033 is to clarify that the process for determining maximum grants for the second funding round will be established at a future date, but no later than June 1, 2014.

The addition of Section 7033 reflects and effectuates Health and Safety Code Sections 1179.23(a) and (b) and 1179.24(c) and (d) and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7034. Application Form.

Part of the process for grant award consideration is the submission of an application pursuant to Section 7034.

The addition of this regulation establishes the need for an applicant to submit an application to be considered for a grant award.

The addition of Section 7034 reflects and effectuates Health and Safety Code Section 1179.24 (a) and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7035. Application Form Submission.

Section 7035 specifies the time and manner of submitting an application to the Authority.

The addition of this section establishes the process for the time and manner of submitting an application to the Authority.

The addition of Section 7035 reflects and effectuates Health and Safety Code 1179.22 and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7036. Content of Application Form.

The purpose for Section 7036 is to specify the information that must accompany an application including financial information, organizational information, legal information, and an agreement and certification, as follows:

7036(a) is to insure that applicants provide their most recent financial information, as specified, so that the Authority may perform its due diligence.

7036(b) is necessary to secure appropriate documentation to support the organization's tax-exempt status and licensure. By definition, eligible hospitals are tax-exempt entities (Health and Safety Code Section 1179.11). In addition, Section 7006(b) requires a hospital to submit a copy of the Articles of Incorporation and Bylaws to verify a hospital's legal identity.

7036(c) requires that an applicant fully disclose certain legal information. This information is reasonably necessary to evaluate the legal viability and integrity of an applicant. A negative response by an applicant may result in disqualification from consideration. All programs administered by the State Treasurer's Office require such legal disclosure.

7036(d) requires applicants to complete and execute an agreement and certification to certain terms and conditions to receive a grant. The purpose of the provision is to ensure that applicants meet the requirements of the Act as made specific by these Regulations.

7036(d)(1) requires an applicant to assert to the truth and accuracy of the agreement and certification. It is necessary that information submitted be truthful because grant awards will be based on this information.

7036(d)(2) mirrors Health and Safety Code Section 1179.24(f) that specifies an applicant may be required to return all or a portion of a grant for failure to complete a project as approved.

7036(d)(3) requires an applicant to assert that funds will only be used for the project described in the application unless the Authority approves a change to the use in proceeds. This requirement is reasonably necessary to ensure that grant funds were used for the intended purposes as required pursuant to Health and Safety Code Section 1179.11.

7036(d)(4) is to have an applicant certify that project and financial records are subject to audit and inspection. This requirement is reasonably necessary to ensure that grant funds were used for the intended purposes as required pursuant to Health and Safety Code Section 1179.25.

7036(d)(5) requires applicants to certify that all legal information has been disclosed or that there is no such information to disclose.

7036(d)(6) details Health and Safety Code Section 1179.24(f) that requires applicants to certify to notifying the Authority in writing at the time of project completion with evidence of completion included.

7036(d)(7) requires applicants to certify to meeting all necessary requirements prior to release of a grant.

The addition of Section 7036 reflects and effectuates Health and Safety Code Section 1179.24 and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7037. Application Form Evaluation.

Health and Safety Code Section 1179.24(a) specifies that the Authority must develop a written application and a process for awarding grants, taking into account at least certain factors when selecting grantees and determining grant amounts.

Section 7037 details the process by which applications will be evaluated.

The addition of Section 7037 reflects and effectuates Health and Safety Code 1179.24 and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7038. Evaluation Criteria.

Health and Safety Code 1179.24 specifies that the Authority may develop evaluation criteria and a process for awarding grants, taking into account at least certain factors when selecting grantees and determining the amount of the grants. The purpose for Section 7038 is to make specific the criteria by which an applicant will be evaluated.

7038(a) is to evaluate how the project will contribute to:

- (1) expansion or improvement of health care access by children eligible for governmental health insurance programs and indigent, underserved, and uninsured children.
- (2) the improvement of child health care or pediatric patient outcomes.

7038(b) is to evaluate how the children's hospital applying for the funding:

- (1) provides uncompensated indigent care or undercompensated care to public pediatric patients.

(2) provides services to vulnerable pediatric populations.

(3) promotes pediatric teaching programs or pediatric research programs.

7038(c) makes specific the manner in which an applicant must demonstrate that it meets the requirements of Health and Safety Code Section 1179.24(a)(6) that specifies the applicant must demonstrate project readiness and feasibility by:

(1) requesting a timeline for project completion.

(2) specifying the information that must be submitted to demonstrate readiness for different types of projects.

(3) requiring applicants to submit evidence of the feasibility of implementing a project. It is reasonably necessary to require information supporting an assertion that an applicant is ready to commence a project.

7038(d) enables the Authority to consider the sources and uses of funds. The requirement is of a procedural nature and must be met by:

(1) ensuring an applicant's project meets the Health and Safety Code Section 1179.24(e) requirement that a grant may not exceed the cost of the project by having an applicant detail all sources of funds needed to complete the proposed project.

(2) ensuring applicant's project meets the Health and Safety Codes Section 1179.11(g) eligible use definition, by requiring an applicant to detail the anticipated use of funds and whether other funds will also be used to complete a project.

7038(e) enables the Authority to evaluate the financial capacity of an applicant. The requirement is of a procedural nature and must be met.

The addition of Section 7038 reflects and effectuates Health and Safety Code Section 1179.24 and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7039. Notification and Initial Allocation.

Section 7039 specifies the process for notifying applicants of the proposed amount of grant allocation.

The addition of this regulation establishes the process for notifying applicants of their proposed initial allocation.

The addition of Section 7039 reflects and effectuates Health and Safety Code Section 1179.24(b) and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7040. Appeals.

Health and Safety Code Section 1179.24(a) specifies that the Authority must develop evaluation criteria and a process for awarding grants, taking into account at least certain factors when selecting grantees and determining the amount of grants. Section 7040 establishes an appeals process as a reasonable means of enabling applicants to request reconsideration of certain determinations regarding applications.

The addition of this regulation establishes the circumstances under which an appeal may be filed, the timing of the appeal, and the review of the appeal by the staff.

The addition of Section 7040 reflects and effectuates Health and Safety Code Section 1179.24 and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7041. Approval of Grant and Notification of Grantee.

Part of the process for grant award is final allocation approval by the Board and notification of grantees pursuant to Section 7041.

The purpose of Section 7041 is to provide a process by which final allocations are approved by the Authority and grantees are notified of the amount approved.

The addition of Section 7041 reflects and effectuates Health and Safety Code Section 1179.24(b) and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7042. Any Remaining Funds.

Health and Safety Code Section 1179.30 specifies \$750 million will be available to the Authority for the purpose of issuing grants, less expenses. In the event total funds requested are less than total funds available, a process is established that enables the Authority to distribute any unused funds.

Section 7042 has been added to clarify the circumstances in which the Authority plans to conduct a second round to distribute any unused funds in the event total funds requested are less than total funds available.

The addition of Section 7042 reflects and effectuates Health and Safety Code Section 1179.24(c) and (d) and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7043. Approval of Grant Use Change

As part of the application process for a grant award, an applicant must describe for what project the grant funds will be used. Since there is a time delay between the application submission and the availability of grant funds, potentially, a grantee may have discovered that the original intent for grant proceeds may no longer be financially or operationally sound.

Section 7043 enables the Authority or the Authority staff to approve a change in the use of the grant if the grantee demonstrates the change is consistent with the intent of the Act.

The addition of Section 7043 reflects and effectuates Health and Safety Code Section 1179.24(b) and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7044. Grant Agreements.

Section 7044 has been added to ensure all grantees certify to certain terms and conditions to receive a grant. This requirement is reasonably necessary to ensure that grantees meet the requirements of the Act as made specific by these regulations.

The addition of this regulation establishes the terms and conditions by which the Authority may ensure the grantee will use the grant award in a manner consistent to with the Children's Hospital Program.

The addition of Section 7044 reflects and effectuates Health and Safety Code Section 1179.22 and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7045. Release of Funds for Non-University of California Children's Hospitals.

Health and Safety Code Section 1179.24(a)(6) specifies that the Authority shall release no funds until an applicant demonstrates project readiness to the Authority's satisfaction. In addition, Health and Safety Code Section 1179.24(f) specifies that the Authority shall release no funds unless the Authority determines it has sufficient money available in the grant fund.

7045 (a) and (b) specify the documentation that is necessary to demonstrate readiness for non-University of California Children's Hospitals fund disbursement and clarifies that the documentation must clearly show the grant funds requested do not exceed the cost of the project.

7045(c) describes the manner in which funds will be disbursed.

The addition of Section 7045 reflects and effectuates Health and Safety Code Section 1179.24 and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7046. Release of Funds for University of California Children's Hospitals.

Health and Safety Code Section 1179.24(a)(6) specifies that the Authority shall release no funds until an applicant demonstrates project readiness to the Authority's satisfaction. In addition, Health and Safety Code Section 1179.24(f) specifies that the Authority shall release no funds unless the Authority determines it has sufficient money available in the grant fund.

7046 (a) and (b) specify the documentation that is necessary to demonstrate readiness for University of California Children's Hospitals fund disbursement and clarifies that the documentation must clearly show the grant funds requested do not exceed the cost of the project.

7045(c) describes the manner in which funds will be disbursed.

The addition of Section 7046 reflects and effectuates Health and Safety Code Section 1179.24 and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7047. Completion of Grant Funded Project.

Section 7047 has been added to enable the Authority to determine when a grantee has finished a project. This requirement is reasonably necessary to determine a grantee is in compliance with all applicable bond law.

7047 (a) specifies the documentation that is necessary to demonstrate project completion for all grantees.

7047 (b) describes that if a grantee does not complete a project within a specified time period, the Authority has the ability to reclaim the grant funds.

7047 (c) clarifies that the Authority or Authority staff may extend the project period based on unavoidable delays experienced by the grantee.

7047 (d) clarifies that the grant completion documents must verify that the grant funds received did not exceed the cost of the project.

The addition of Section 7047 reflects and effectuates Health and Safety Code Section 1179.24 and is necessary in order to implement the Program and to conform the regulation to the statute.

Section 7048. Recovery of Funds for Non-Performance.

Health and Safety Code Section 1179.24(f) specifies that the Authority may require remedies, including the return of all or a portion of the grant, if the Authority determines that the grantee failed to complete the project under the terms specified in awarding the grant.

Section 7048 provides for a return of the grant if the applicant failed to meet certain criteria evidencing project completion in a manner consistent with the Act and these regulations.

The addition of Section 7048 reflects and effectuates Health and Safety Code Section 1179.24 and is necessary in order to implement the Program and to conform the regulation to statute.

Section 7049. Unused Funds.

Section 7048 has been added to enable the Authority to dispose of any unused funds, consistent with current California bond law. This requirement is reasonably necessary in the event that funds are returned to the Authority.

This regulation provides that if there any forfeited grant funds, the funds shall be considered remaining funds and used in accordance with Section 7042.

The addition of Section 7048 reflects and effectuates Health and Safety Code Section 1179.24 and is necessary in order to implement the Program and to conform the regulation to statute.

Section 7050. Audits.

Health and Safety Code Section 1179.25 provides that the Bureau of State Audits may conduct periodic audits to ensure that awardees of bond proceeds are using funds in compliance with applicable provisions of the Program

The purpose of Section 7049 is to enable the Authority or the Bureau of State Audits to verify that the Children's Hospital Program requirements have been met by an organization. To ensure compliance, it is reasonably necessary to require grantees to retain all necessary Program and financial data and to provide audited information to the Authority upon request.

The addition of Section 7049 reflects and effectuates Health and Safety Code 1179.25 and is necessary in order to implement the Program and to conform the regulation to the statute.